

CONTROLLER STEVE WESTLY

STATE OF CALIFORNIA

300 Capitol Mall
Sacramento, CA 95814
916.445.2636
www.controller.ca.gov

FOR IMMEDIATE RELEASE:
SEPTEMBER 14, 2004

CONTACT: PAUL HEFNER
916-324-2356

Controller Westly Stops Grants Payments

Auditors' Review Shows Legislative Shortcomings, Lack of Oversight

SACRAMENTO – Controller Steve Westly today directed state accountants to return up to \$15 million in unspent grants from the Department of Parks and Recreation to the state's general fund.

Westly acted after his auditors reviewed all general fund grants the Parks Department made over four fiscal years, from 1999-2000 through 2002-2003. He ordered the review after auditors found evidence a grant to the San Francisco Neighbors Resource Center was misused.

"We found problems every step of the way," Westly said. "Some groups didn't know they were getting a grant. Others didn't know what to do with it. It's time to pull the plug. Today, we are taking action to save up to \$15 million in taxpayer funds, and fix a process that's broken."

The review found:

- Grant recipients missed the deadline for spending up to \$15 million in grant funds.
- Lawmakers failed to spell out the purposes of individual grants, making proper accountability virtually impossible.
- Parks officials did not properly oversee all grant projects.
- Parks officials made advance grant payments to recipients without formal policies and procedures to monitor spending.
- Parks officials audited very few grants.

Westly announced his recommendations for reforming the grants process, including:

- Reverting unspent grants to the state's general fund.
- Drafting control language to include in any future grant legislation.
- Improving internal controls and oversight at Parks and Recreation
- Full-scale financial audits of as many as 20 grants deemed high-risk.

The Controller noted that under state law, grants must be formalized within three years and spent no more than two years later. He directed his staff to return to the general fund any grants that had missed those deadlines.

Westly turned his findings over to officials for the Department of Parks and Recreation, as well as legislative leaders, the State Auditor, the Legislative Analyst and the Department of Finance.

-More-

The Controller's Office identified four of the grants subject to a full financial audit:

- | | |
|--|-----------|
| • Slavonic Cultural Center (San Francisco) | \$394,000 |
| • Mission Trails (San Diego) | \$985,000 |
| • MLK Museum/Chavez Center (Los Angeles) | \$246,250 |
| • Breed Street Shul (Los Angeles) | \$492,500 |

Up to 16 additional grants are being selected for audits, based on the size of the original grant, the amount of documentation available, and the degree of oversight conducted by Parks officials. The Controller's Office will also consider the work planned by Parks auditors to avoid duplication. To preserve the integrity of documents, additional grants selected for audits will be disclosed after grant recipients are notified.

Department of Parks and Recreation Legislative Grant Program Survey Report

###